

TO THE STOCKHOLDERS OF THE S. C. RAIL ROAD.

At the last annual meeting of our Company, the relations which had long subsisted between us, were dissolved. This event, in relieving me from heavy responsibilities, was not unacceptably. It would have been a manifestation of insensibility, however, on my part, not to have felt the manner in which a long cherished and mutual confidence was unexpectedly impaired. In the preceding years were daily admonishing me of the approach of a period, when your interests would require that on another (retaining more of the activity of life than had been left to me) should be devolved the responsibilities of President of your Company. Personal friends were made acquainted with my inclinations, but as I had been instrumental in involving the Road in somewhat expensive plans of improvement, matured, and then in progress of execution, and which had become necessary, to enable it to fulfill the just expectations of Stockholders and its pledges to the public, I felt a reluctance (in which friends concurred) to transfer a charge to a successor, lurching with any of those embarrassments which those works might entail. They (with my advocacy of the construction of the Camden Branch) had been made out of door subjects of grave complaint. I was the stronger impressed with the obligation imposed, as you had, through two investigations by committees, sustained the administration with which I had been associated; and had, further, at the meeting in 1849, proved the first essay of an opposition to get possession of your interests. As the second effort, however, was more successful, self respect would seem to require of me (at this, the only appropriate opportunity since afforded) a report, such (in part only) as I had contemplated in the event of the anticipated separation, which would have been more in harmony with the feelings of both. If in this performance, I have found a brief perusal of the pecuniary disbursements of 1850, as compared with those of the year 1849 necessary, it has been with no intention to pass sentence on the former, but to rescue the latter from the precipitate judgment, which through confidence in Representatives, many of you, and perhaps ignorantly, permitted to be cast on the latter. I had no opportunity of explanation had been necessary, but was arranged in a *seriè of resolutions*, and sentenced by a "packed jury," in a box of pre-determined proxies. The judgment did not come from you, and therefore I feel the greater obligation of thus communicating with you, as I had been accustomed, under different relations.

The year 1849 was, to the late administration, among the most embarrassing. A very large suspended obligation to the State had to be adjusted, and under legislative enactments which involve a cash payment for two years and three months of back interest on the larger portion, and interest on the whole sum for the year. One moiety of this debt, amounting to \$178,223 60 with interest from 1st Jan. 1848, we had hoped was intended as a tribute from the State, to that noble pioneer enterprise when completed. That we were not alone in this opinion, is evident by the appeal made by a liberal minded Executive of our State to the Legislative Branch.

The application failing, entailed an enhanced sum on the Company, for the smaller sum which appeared in the general statement of accounts. In addition, provision had to be made for obligations incurred for relaying, with a heavier rail, the Hamburg Road, and to meet the exigencies of service in a largely increased motive and Car Power. With no other resource but the revenue and credit, and an unwillingness, (though my judgment approved,) to call for the additional 25 dollars due on each share without your concurrence, it was not extraordinary (however unexpected) that the indebtedness of the Company, for these enduring obligations, was seemingly increased to \$274,295 83. At least \$100,000 of this accrued in the adjustment of the debt to the State, leaving \$174,295 83, as the actual increase of indebtedness from the expenditures for the year.

The credit of the Company did not falter under the operation (excepting those who had an interest in dishonoring it.) On the contrary at no period of its trials and troubles was there a greater manifestation of confidence in its ability to meet obligations. The works undertaken could all have been accomplished with the credit of the Company. If the policy was condemned on your part, I was informed. The aid which you afterwards accorded would have been much more acceptable to me as diminishing responsibilities. It would have afforded me the benefit of a full Treasury, which at no period of my operations, had I the opportunity of profiting from.

By reference to the general statement of disbursements for the year 1840 and 1850, it appears that in 1849, the gross revenue from the business of the road, and sales of property was \$899,792 85. That with these means, after paying dividends for the year—expenses of managing the road, int. on foreign and domestic debt (including 2 years and 3 months back interest to the State,) with damages and other incidental charges. There was expended on rail iron, depots for motive and car power, and objects of permanent investment, the aggregate sum of \$381,358 05

In the operations of the year, the indebtedness of the Company was augmented seemingly 274,295 53

Leaving an increase of property \$107,062 52 As the increase of indebtedness to the amount of \$100,000, was on the debt to the State, which had accrued in previous years, but was adjusted in 1849, this sum might be legitimately deducted, and which would swell the increased value of property acquired, to \$207,062 52, in that year. But we will be contented with the exhibit \$107,062 52

There was received from the same sources, in the year 1850, a gross Revenue \$929,311 05 After making similar disbursements for the year, enumerated above, there was appropriated to the legitimate objects of permanent investment of 418,119 61 The balance of indebtedness was reduced 285,032 89

\$733,203 50

To accomplish this, the Stock Debt, equivalent to a loan from the Stockholders, was augmented in the sum of 611,315 65

Leaving an increase of property valued \$121,887 85 From the above, it appears, that in 1850, with an increase of Indebtedness of \$336,131 70—against 274,295 53 of the previous year—this increase being the difference between a new debt of \$611,315 65, and the old debt of \$285,683 89 liquidated, and with an augmented gross Revenue of \$929,311 05—the operations of 1850 exhibit an increase of permanent investment of but \$1,815 33.

I have not included in the above, as a Permanent Investment, \$46,790 49, charged under the head, as this sum, in part, if not in the whole is chargeable to maintenance of way in the Report, exhibiting a reduction of disbursement under that head. Mr. Lithgoe, now in charge, estimated this saving Road Department at \$208 a mile. The present management had the benefit of 37 miles of new Road, finished in 1849, and report 63 finished this; of which, at the least, 25 miles was available, and would make a reduction of \$12,896, and being the expenditures of 1850, in Road Department, up to those of 1849. The \$46,790 49 is fairly chargeable with \$12,896 for maintenance of way; leaving the balance \$33,894 49 chargeable to extraordinary expenditures, and absorbed in the addition of Indebtedness for 1850.

Current or ordinary Expenditures. Under this head, the expenditures for 1849 were reported by the Auditor at \$168,933 74. In my report I pointed out one or two items not legitimately chargeable under that head, and which same items, have actually been carried to the account indicated in the report for 1850. Persons not analyzing both accounts, but looking only at the aggregate, would come very justly to the conclusion that the current expenditures of 1849, exceeded those of 1850, by 78,887 dollars. Now current expenditures are indefinite, and depend upon the classification of what parties, in a comparison, may agree to belong to that head. The present administration has adopted in part, a new classification. I don't object, for in the discussion of this question at our meetings, there has been much misapprehension, involving a very plain subject in some intended mystery. Assuming the new classification, and we have for 1849, \$407,323 32 and for 1850, \$324,040 for the year 1850, and making the net profit \$194,782, against 528 679 43, accounted for in the augmentation \$20,617 19 of receipts, in the saving of \$12,896 being charged to account of renewal of Road, as shown above, and at least \$14,000, estimated at what would be the reduction of expenditure at work shops by limiting the work there to mere repair; and the less labor and clock here, the new arrangements at receiving and passenger house would involve. The above is an exhibit in the aggregate. If we were to descend to particulars, we would find the following in contrast:

For 1849.		For 1850.	
For Spikes, \$3,155 51	For Spikes, \$5,979 34	For Oil, 5,229 02	For Oil, 5,845 95
For Tallow, 4,099 78	For Tallow, 4,707 4	For Coal, 2,742 35	For Coal, 1,014 05
For Wood, 31,591 11	For Wood, 25,210 07	For Damages, 5,672 5	For Damages, 11,230 83
\$54,598 71	\$57,992 28		

As favorable as is the above exhibit for the year 1849, it is deceptive, and can lead to no result involving economical management. The cost of the management of a Road is what is consumed in the keeping the Road and power in good working order. It does not depend on the quantity of materials purchased, but what is consumed, and the market value at the time of each. If, therefore, all the above materials were consumed, and the price paid was the same, 1849 would have the advantage over 1850, in Spikes, Oil and Tallow; and 1850, in Wood and Coal—excluding damages in the comparison, as accidental among those casualties, which cannot be always guarded against. If, however, the materials were not consumed, the value of the excess would have to be deducted from the expenditure, and carried to the consumption of another year. The excess of the year 1850, could not be made available in the previous year of 1849, while what was left of materials, &c. in 1849, would have to be accounted for in 1850. The last report showed a considerable amount of materials on hand—and if used up in part, or in whole, this year, the previous year is entitled to a credit. The articles used above, I generally purchased as consumed, excepting Wood and Coal, a large deposit of which I had found of advantage to provide, particularly wood; and had sheds constructed so that Dry Pine might be substituted for Lightwood, found in practice injurious to the Locomotives. To ascertain the consumption for 1849, we may take the average of three years, and it will show from the Report—25,569 dollars. I am warranted in assuming a charge for Wood, in 1850, of \$26,210, as exhibiting consumption; as it is notorious that so bare are the stations of fuel, that the chips, and other discarded timber, purposely left on road side by a predecessor, and for which he was so severely reprobated by the Investigating Committee, had to be made available this year to keep the fires of the Locomotives going. From the above, without descending into any further, and tedious details, the difficulty of coming to any just and satisfactory results as to comparative cost, guided by superior management, is obvious. Much depends on facilities enjoyed, period of operations, market value of materials, and of labor, and of policy pursued, comparing the whole system of each together, and not its parts separately. Otherwise, what may appear the most profligate, (if that term be appropriate) under a partial view of one Administration, may in the whole be found the most economical, when contrasted with that of another. Thus cash, and credit work differently. The first may be most economical. The administration of 1850, was favored with the advantages of a full treasury; that of 1849 labored under the embarrassment of our empty one. Again in the work shops of 1849, the operations of construction and repair went on together, the former involved the necessity of large expenditures for materials, and additional labor; the foundry fires were seldom extinguished, and the screw machine and planing mill always at work. It was difficult (except by an arrangement I was maturing,) to separate what belonged to mere repair and what was chargeable to construction, by confining the shops to mere cost of labor for repair, and transferring construction to contracts, the first and separate exhibit of charges at work shops, must show a seemingly great reduction of expenditure, when brought again in connection with the charges for construction under contracts, the general result may, however, show no change. The last year, all the new Cars, (and which exhibit an expenditure of \$79,279 64, were made by contract, the previous year, with the exception of the wooden part of a few contracted for; all of the Freight Cars were built in the shops, and materials had to be provided for in advance, and the consumption of coal was increased; from the increased services exacted from the foundry, and additional forges necessary. If this contract system worked economy, it did not belong to the administration of 1850. It was matured, (but I confess, not with my concurrence) at the will of the majority of the Board. The true policy will be the one, which the South Carolina Company may have to fall back upon, that is, to depend as little as possible upon individual establishments for what is necessary for the construction, the maintenance and management of Road, and Power. I was gratified, however, to be individually instrumental to its establishment, that Harker & Co.'s enterprise was free from one of the objections I have to Railroad Companies, under heavy responsibilities to the public, being ever dependent upon private facilities. It is not every individual that, from former associations, may have the same bias, Mr. Harker has, of being prompt and faithful in his new obligations to the South Carolina Railroad, or of having the opportunities, from previous experience in our Company's service, of making an article, which has been so highly approved of, by those who have been able to judge of its performance. But for all, that has probably been tediously detailed.

The late administration was arraigned, for profligate expenditure in an increase of indebtedness, and for extravagant disbursements in the maintaining and working a Road; by mingling and confounding appropriations for construction of Roads and Cars, with those which appertain solely to their preservation and management. The consideration (and my Reports show it) or the relaying of the Hamburg Road, the accommodations at the Work shops, Freight and Passenger House was the greater economy with which it would enable those administering your affairs, to introduce in the management of the business of the Road—enhancing profits with reduction of expense. But it seems that you permitted, not intentionally, I am satisfied the expenditures for the improvements to be charged as a fault on the Administration of 1849 while that of 1850 is to be credited for any economy in the management, which those improvements introduced.

It was not my purpose, in this communication, imposed on me, to animadvert on the policy or management of the South Carolina Railroad, under those who now have charge. I found it necessary to notice the debt and ordinary expense accounts; to expose the injustice of the charge, that these, under a predecessor, were unintelligible and profligate. I can never be insensible to the delicate trusts devolved on those who have charge of so complicated and treacherous a machine as that of a Rail Road; and I feel too deeply interested in the success of the South Carolina, the earliest pioneer and mother of Southern Roads, and in this, I mean not individually, but as a Carolinian, to desire (by imputations of ignorance or mismanagement) to cast obstacles in the paths of those who may be impressed with the proper and liberal policy in the administration of its concerns. A Rail Road is too delicate a machine to tamper with, and while a wise economy is always to be commended, you may push the figure of reduction so far, as in the course of years to absorb its substance and power, in deceptive profits, you may realize the fable of the Golden Egg.

What has produced both in Great Britain and at the North, in some instances, those revolutions as to the settled and fixed value of Rail Road Stocks; but those alternations between profligate and delusive economy of expenditure, making it a fany article, and exposed to all the fluctuations of extravagant speculation. Our affairs have been too long under the influence of excitement at our annual meetings—they have presented more the turbulence and conflicts of political assemblies, than the cool deliberation of stockholders, on an important enterprise in which they have a great stake. Deeply impressed with the influence which the South Carolina Rail Road was destined to exercise on the Political, Social and Commercial Relations of the State and City of my native, I early contributed what little means I had at disposal, and of personal services, to its success. Though separated from it under circumstances which may have affected a sensitive mind, they can never impair my confidence in its ultimate triumph; yielding all that you may here hope; all that my too sanguine temperament may have foreshadowed. In its greatest of turbulence, and trials, I early penetrated a vitality which embarrassments in the beginning and want of experience could never extinguish.

I now proceed to further details of my stewardship, during a period that responsibilities, however trying, were never shrunk from, until at your bidding, I transferred the trust into other hands. By reference to the early reports, you will see that the operations of the Company commenced in debt and progressed only on credit. It was not a policy adopted voluntarily by your first President, but entailed on him under a strong motive of relief to the Stockholders. The inflated years preceding that of '36, which stimulated the L. C. and C. Rail Road into existence, with a subscription to 80,000 shares, was succeeded by a revulsion, threatening the State, corporations and individuals with bankruptcy. The first instalment paid, placed at the Company's disposal \$100,000. With this, operations were commenced, and on a loan of two millions of bonds, guaranteed by the State, was predicated the purchase of the Hamburg Road, the cost of which, with im-

provements, was placed, in Gen. Hayne's second report, at \$2,700,000. To meet the first instalment of purchase, \$700,000 was borrowed of the Banks, in anticipation of the sale of Bonds. One million was negotiated at par, \$543,775 87 applied in England for Rail Iron, and semi-annual interest, \$2,532, placed to credit of Company, and \$488,775 87 remitted in Bullion, on which the S. W. R. Bank took its departure. To meet the obligations of the year, and until the proceeds of the second million could be realized, a new Bank loan had to be contracted. Through some misapprehension with our Bankers in London, a disagreement arose which had to be adjusted after I came into office, through the mediation of Baring, Brothers & Co. The result was that this moiety of the Bonds was accounted for so as to net but \$327,189 40, involving a loss of \$172,510, and a deficiency to that amount of anticipated means to meet pressing obligations. In these extremities there was no appeal to the Stockholders. On the contrary, to relieve them from a call for instalments, there was another resort to debt, without any provision for credits to redeem. In the midst of these trials, your then President did not falter, but it pleased a Providence to remove him from us. The highly respected President, *pro tem*, to meet these emergencies, was forced to suspend in part the progress on the Columbia Road, and to appeal for assistance to the Legislature. It was accorded in an advance on the State subscription to the extent of 600,000 dollars. The City of Charleston had made a similar advance to the amount of 70,000 dollars. This 670,000 dollars thus constituted an additional debt, involving a charge for interest, until the amount could be absorbed in payments, of postponed instalments. This brief history brings you to the period when I took charge of the affairs of the Company. By reference to the 4th annual report, and first of my administration, which I have had re-published, being out of print, you will read the state and condition of affairs to that date—and the policy, from necessity and not selection, which had been imposed, to complete the Columbia Branch, and redeem the Company's pledges to contractors and the public.

Could I have been influenced by the counsels of the prudent, I would have abandoned the Columbia Road, which they pronounced as bankrupt, and as an incubus on the more favored enterprise to Hamburg. My determination was, however, at every hazard, to press forward with the former, and cherish the latter, as not separable, but as parts of a great system which was destined to checker the State with iron highways, and to bring us in more intimate relations with the far West. As to the most practical and cheapest route to accomplish the latter, it was my misfortune to differ with friends, and we have lived to see its consummation by the one then favored, and indicated by me.

At the commencement of my Stewardship, the affairs of the Company were reported thus: For payments on Hamburg purchase, \$2,877,531 70 For debt to State incurred to that date, 31st Sept., 1840. 138,223 59 \$3,015,755 49 In the operation, the Company had incurred a debt: To Bonds negotiated and guaranteed by State. \$2,900,000 00 To Balance of \$600,000 advanced by State, on subscrip. 474,977 37 To do, to city of Charleston, do., 33,133 53 Loans from Banks. 201,892 40 State, on acc't Hamburg road..... 138,223 59 Scrip in circulation..... 290,378 28 \$3,144,231 12 To amount paid for construction, interest, and other obligations, to date. 2,235,442 16 Total paid . . . \$5,162,976 65 By a statement of the Engineer, the estimated cost of the Columbia Road, was put down at . . . \$1,816,724 00 There has been paid on it . . . 1,011,558 00 Leaving to be provided for . . . \$305,642 00 There was an error however between the estimate and cost to be added . . . 145,611 21 Making to be provided for . . . \$950,742 72 To meet these obligations, the instalments on stock, and which could be called at intervals only of 60 days, had to be anticipated by the issue of scrip, drawing interest and small change bills, receivable in dues to the Company. We were here met by another embarrassment. The stockholders beyond the State, were permitted to withdraw from the co-partnership, and the stock within the State was reduced one fifth. By this enactment, no contributions from the State, City and Corporations could be received, as their payments were credited against their debt, and the large advances of State and City, left the Company indebted to both. The shares on the adjustment were reduced to 34,810 00. The State, City and Banks, owned 10,710, leaving but 24,100 shares as the only resource to finish the Columbia Road, and to meet outstanding obligations. Payments had already been made on the 5th 6th and 7th instalments, as the scrip issued was received in payment, there was very little money coming into the Treasury to pay older obligations, burthened with interest. Under this system of finance we were compelled to progress. The Road to Columbia was completed, and, on the consolidation of the two Companies, on the 31st December, 1844.—The balance of indebtedness was \$2,793,222. All these operations were conducted through a period of great distress and embarrassment in the country, and the credit system having been forced on the Company, was consequently conducted at greater expense. The interest accounted alone, through this period of our history, amounted to \$396,856 68. At this crisis, more encouraging prospects began to dawn on the horizon.

The business of the Road was beginning to realize expectations. The revenue on the year of consolidation, had reached \$532,869 95 and on an average increase of \$75,000 a year,

had amounted in 1849, to \$924,403 16. For the year 1850, the increase is but \$20,317, near 53,000 less than the average of previous years. The deficiency is not explained by short crops or partial suspension of business, on the Camden Branch, as the Road during that period, was offered more of down freight than it could accommodate; and to such an extent were the exertions on its power, that, by advertisement, the transportation of wood and lumber were declined. A supposed public grievance, which was made a heavy charge against the administration of 1849, not for refusing to bring, but for not bringing as fast as offered at Stations.

On the consolidation the Company had no motive or Car-power, but that which was purchased with the Hamburg, and which had become inadequate to the requirements of the Road. Immediate provisions for their essential appurtenances, were demanded by your interests. The public calls for transportation, a commutation were just. Thus stimulated by the prospects ahead, and in which I participated, the Company responded to an appeal from Kershaw and Sumter, in the construction of the Camden Branch. This enterprise was partially commenced late in the year 1845, and opened for business, on its entire line in November, 1848. With no other resources but the revenue for six years, from 1844 to 1849 inclusive, there was an average dividend of 5.10 per cent paid. The debt to State adjusted 398,000 dollars appropriated towards the Company's liability in the Camden Road, \$148,655 paid for Rail Estate, and improvements on Depots and work shops—\$276,162 additional value given to Locomotive and Car power, and Machinery in shops; and 254,219 dollars paid for new iron for Hamburg Road. Showing an aggregate of accumulated property, exclusive of the shares in the Camden Road, of \$679,036, and a balance of indebtedness of but \$207,848 excess, over the balance reported on the consolidation of the two Roads. The Company, with all these improvements, and increased means to meet an augmenting business; had on the first of Jan. 1850, a balance of indebtedness less by \$64,657, than the obligation incurred in the purchase of the Hamburg Road. The negotiation was predicated on, and consummated by a debt, as shown of 3,015,757 49, and increased afterwards by some charges not then embraced, and if we add the \$172,510, lost on the sale of the guaranteed Bonds appropriated to that purchase, it would swell the amount of obligations incurred for the Road of 3,187,757 49—now represented by a Company's indebtedness on the 1st January, 1850, of but 2,947,071 dollars.

Through all these trials and responsibilities, I was ably sustained by the Southwestern Rail Road Bank, and at times very opportunely accommodated by the Bank of the State.—But there are periods when monied corporations are forced to protect themselves, and one of these occurred on the last French Revolution, when a revulsion in the money market, very nearly jeopardized the credit of the Company, in an inability to meet, immediately, its foreign obligations. The South W. R. R. Bank notified me of its being unable to relieve the Company in its then extremity; the Bank of Charleston, on no guarantee would give a credit on the exchange it was supposed to hold in London; the Bank of the State assisted to the extent of its means; but even the sum it afforded, was unequal to the Company's obligations maturing in England, and particularly the interests on the Bonds, guaranteed by the State. In this extremity, I volunteered a private operation, having previously obtained the sanction of our Agents in London, by which a large pecuniary sacrifice on my part was made, but the honor of the Company was protected, and it was through the high credit of the Company with its Bankers in London, that I was enabled, upon a simple order, to avail subsequently of a purchase of iron for the Hamburg Road, when at about the lowest point of depression. The history of the transaction adverted to is on file in the office, and was there deposited in explanation of an account for Exchange furnished, which is in the books of your Auditor.

By reference to the Annual Report for 1849, herewith published, and the first of my Stewardship, you will read hastily sketched, the identity of interests of the South Carolina Rail Road, with those in project in other States, all tending to harmony of union, in the social, political and commercial relations between the West, the Carolinas and Georgia. These enterprises were not neglected on my part, as imposed by the obligations of my position with the South Carolina Road.

By the enterprise of Georgia, the waters of the Tennessee, through the parts of Savannah and Charleston have been brought into intimate communion with the Atlantic. The Road to Nashville is in rapid progress of completion. The energy of Tennessee has re-stimulated into existence the older, but not less important enterprise, through North Alabama, Memphis. The Road from Selma on the Alabama to intercept the latter has been located, and now under contract. This Road has attracted attention to the route by Brandon to Vicksburg. All these three iron highways were indicated in a Report at the Memphis Convention, and harmony of co-operation produced by a shewing that as Radli' from a centre, they went not antagonistical, but on the diverging lines to a common circumference—in their completion, we shall soon have tapped the Tennessee and Cumberland, and the Mississippi at the imposing points of Memphis and Vicksburg. The Father of Rivers will be weakened in its influences, and that Geographical Bond, which seems now to reconcile the shores of the lower Mississippi to the insulting domination from the Banks of its upper tributaries, will have to give way to the iron avenues of Southern Equality and Free Trade.

Respectfully,
JAMES GADSDEN.

Banks.—The Indiana Convention has ordered the following, as the first section of an article, to be engrossed: "No banks shall hereafter be authorized, except under the restrictions to be provided in this constitution. All banking shall be on a specie basis actually paid in."

Alabama.—A Convention of delegates from all the Southern Rights Associations of the State is to assemble at Montgomery, on the second Monday in February.